



Holder Outreach Newsletter

California Unclaimed Property Program

This newsletter is intended to keep all businesses, financial organizations and other holders of unclaimed property well informed. It highlights important news, useful information, and changes pertaining to unclaimed property in order to assist holders with California reporting requirements.

Inside this Issue

Holders' Claims for Reimbursement	1
Important Announcement	1
Holder Audit Information	2
New Law Changes	3
Step by Step Instructions For Remitting Securities	5
Important Upcoming Dates	6
Contact Us	6

Holders' Claims for Reimbursement

There are times when property owners make contact with holders and, as a result, their accounts are reactivated or their checks are reissued. When this happens and after the funds have already been transferred to the state, holders can submit a request to the SCO to have those funds reimbursed. Funds may also be accidentally transferred to the state earlier than required due to a data error later identified. The same reimbursement process may be used in both of those instances.

To enable processing of reimbursements in a timely manner, holders must complete a [Holder's Claim for Reimbursement \(HCR-1\)](#), which can be found on the SCO website, under "*Reporting Formats and Forms*." Page two of the document contains completing instructions.

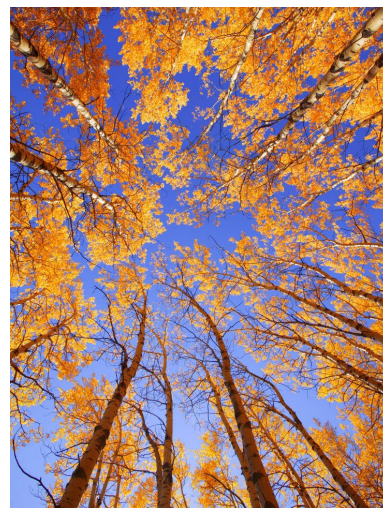
The [NAUPA Holder Request for Reimbursement](#) form is also accepted and can be found at

(Continued on page 2)

Important Announcement!

This is a reminder that all UFS-1 forms must contain an original signature. SCO will not accept UFS-1 forms that contain a stamped or photocopied signature.

Agents submitting multiple reports at one time will be allowed to submit a transmittal letter that lists all reports being submitted. The letter must include the Verification language found in section I of the UFS-1 form and an original signature of the person who meets the criteria under CCP section 1530 (e). Each UFS-1 form submitted may then have a stamped signature.



(Continued from page 1)

“Holder Claims for Reimbursement”

www.unclaimed.org, under “*Compliance Resources - Free Compliance Tools.*”

Reimbursements will be processed only after the corresponding Remit Report is uploaded and reconciled by the SCO.

The basic guidelines are:

- A copy of the original Universal Holder Face Sheet (UFS-1) **must** be submitted with each request to identify the corresponding notice report.
- The HCR-1 forms must contain an original signature and the reason for request, for example, “erroneous remittance” or “paid to owner.”
- Proof of paid claim and proof that claimant was entitled to payment must be provided.
- All claims for over \$1,000 or for stocks must be notarized.
- All requests must be accompanied by a signed letter on holder’s letterhead and must contain the names of each individual authorized to request reimbursement on behalf of the holder.

Holder Audit Information

Under California Code of Civil Procedures (CCP) section 1571(a), the Controller’s Office has the authority to perform holder audits if there is reason to believe the holder failed to report property that should have been reported pursuant to the Unclaimed Property Laws & Regulations. California currently has twenty (20) state positions allocated for auditing business entities headquartered in California. Four third-party contractors are also contracted when needed.

Look-Back Period:

Our state’s audit protocol prescribes a look-back period of ten (10) reporting years that is based on administrative procedure. If warranted, look-back can go even further than ten (10) reporting years.

If records are not available for the entire look-back period, estimation techniques may also be employed in determining escheatable amounts.

Helpful Hints During an Audit:

Communication during the course of the audit is key in order for the audit to go smoothly. Holders are often given preliminary information such as potential escheatable property for further research and review which will take additional time and effort. It is also encouraged and allowed for the holder to re-issue checks or re-establish contact with owners prior to the completion of the audit.

Penalties and Interest:

Interest will be assessed for non-reported escheated property and fines will be assessed for willful failure to report and/or remit. Interest is assessed at 12% per annum of the amount of the property beginning on the date the property should have been reported or paid or delivered. Fines may be assessed at \$100 per day for each day a report is withheld, not to exceed \$10,000. Fines for willful refusal to pay or deliver escheatable property range between \$5,000 and \$50,000.

Appeal Process:

California employs an audit appeal process through which holders may request an (informal) appeal of audit findings and/or interest assessment. All appeals are independently conducted by the SCO’s legal office.

Additional Assistance:

In order to assist holders in their effort to comply with state laws and regulations, California provides reporting assistance to those that are new to filing unclaimed property. For more information, please see our website at: www.sco.ca.gov.

New Law Changes Effective January 1, 2010

New provisions of the California Unclaimed Property Law take effect on January 1, 2010, unless stated otherwise. The changes from Assembly Bill 1291 are summarized below and links to the actual provisions of the law are included for your convenience.

Revised Notification Requirement

Holders are required to send due diligence notices to owners of property valued at fifty dollars (\$50) or more prior to reporting the accounts to the SCO.

To provide clearer notification to owners that their property is in danger of escheatment and to reunite more owners with their property prior to reporting to the SCO, the face of the notice must now contain a heading centered at the top that reads as follows: THE STATE OF CALIFORNIA REQUIRES US TO NOTIFY YOU THAT YOUR UNCLAIMED PROPERTY MAY BE TRANSFERRED TO THE STATE IF YOU DO NOT CONTACT US.

This amendment also provides that due diligence letters can now be sent electronically with the owner's consent, owners can respond to due diligence letters by a phone call or electronic communication to stop the property from escheating, and holders can impose up to a \$2.00 service charge for administrative costs of the due diligence letter. Code of Civil Procedure (CCP) sections [1513.5](#), [1514](#), [1516](#), & [1520](#))

Safe Deposit Box Properties

Safe Deposit Box provisions are amended to

provide that safe deposit contents shall not escheat if the owner has a savings or checking account with the holder which is active and not subject to escheat. Holders are required to send a notice to owners of Safe Deposit Boxes prior to reporting the property to the SCO. ([CCP section 1514](#))

Property Held or Owed by Business Associations

This amendment provides that various deposits and accounts held with business associations shall not escheat if the owner has an active Individual Retirement Account (IRA) or similar account established by Internal Revenue laws. ([CCP section 1513](#))

Owner Awareness of Escheat Laws

Effective January 1, 2011, at the time a new account or safe deposit box is opened with a banking or financial organization, the organization shall provide a notice to the person opening the account informing them that their property may be transferred to the appropriate state if no activity occurs in the account within the time period specified by state law. ([CCP sections 1513.5 & 1514](#))

Holder Liability for Property Escheated

This amendment requires that in order for a holder to be relieved of liability for the property escheated to the SCO, the holder must have complied with provisions of sending due diligence letters to the owner. Holders shall not be immune from liability if they have not taken minimum steps to comply with the owner notification provisions of the law. ([CCP section 1560](#))

Holder Extensions for Remit Reports

This amendment provides authority for the Controller to postpone the delivery of unclaimed property and the Remit Report. Prior to this legislation, the authority to extend only applied to a Notice Report. If the Notice Report is extended, the Remit Report is correspondingly extended since it is due 7 to 7.5 months after the Notice Report. This amendment now allows the Controller to postpone the due date for the Remit Report and payment or delivery of property independent of the Notice Report. (CCP section 1532)

Application of Interest to Notice Reports

This amendment clarifies that interest applies when a holder fails to file a Notice Report on time or in the manner required by law. If a holder is non-responsive to SCO requests to correct a problem with the report, they are now subject to interest up to a limit of \$10,000. This limit applies only if the holder pays or delivers the property in a timely manner. (CCP section 1577)

Holder Due Diligence

This amendment clarifies that all due diligence letters should be sent 6 to 12 months before the property is “reportable” instead of transferable to the SCO, ensuring that due diligence letters are sent by the holder before the property is reported to the SCO. This change gives the owners the opportunity to be reunited with their property before the state ever gets involved. (CCP section 1520)

For complete reporting instructions and forms, go to our website at www.sco.ca.gov. To receive

automatic updates related to reporting unclaimed property, the website also features an option to subscribe to our e-mail list.

If you have any questions please call the Unclaimed Property Division, Reporting Unit at (916) 464-6284 or email ucpreporting@sco.ca.gov. You may also email the Holder Outreach Unit at updholderoutreach@sco.ca.gov.



Every year between June 1 and June 15, or December 1 and 15 for life insurance companies, Holder Remit Reports are due. During this period, holders that have securities to remit are required to take the following steps:

- For any transfers not completed within the seven-day period, a new SS-1 form must be submitted, listing only those securities not previously transferred.

- ¹ The CUSIP number consists of a combination of nine characters, both letters and numbers, which act as a sort of DNA for the security - uniquely identifying the company or issuer and the type of security.

[illegible]

*B - Bonds; C - Common Stock; D - Debentures; P - Preferred Stock; R - Rights; U - Units; W - Warrants; Mutual Funds - Leave Blank

Important Upcoming Dates

December 1-15: REMIT REPORTS and PROPERTIES due for life insurance companies.

Contact us

**California State Controller's Office
Unclaimed Property Division
P. O. Box 942850
Sacramento, California 94250-5873**

www.sco.ca.gov

Reporting Assistance: (916) 464-6284

Claims Assistance: (800) 992-4647

We want your input!
Please send us your comments, ideas or concerns to:

updholderoutreach@sco.ca.gov

